

Message Text

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ORIGIN SS-15

INFO OCT-01 ISO-00 SSO-00 CCO-00 /016 R

66011
DRAFTED BY E:RASORENSEN:PB
APPROVED BY E:RASORENSEN
NNS/S-O:SESTEINER
----- 077333
P 012151Z DEC 76 ZFF4
FM SECSTATE WASHDC
TO USDEL SECRETARY PRIORITY

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LIMDIS FOR UNDER SECRETARY ROGERS FROM SORENSON

FOL REPEAT ROME 19632 ACTION SECSTATE DTD 1 DEC.

QUOTE

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E.O. 11652: N/A
TAGS: EFIN, IT
SUBJECT: ECONOMIC SITREP NO. 22, WEDNESDAY, DECEMBER 1

REF: ROME 19538

1. SUMMARY. ACCORDING TO RECENT INTERVIEW, PRIMIN ANBEOTTI
WILL ASK FOR SOME US FINANCIAL GUARANTEES IN FORTHCOMING VISIT.
ANDREOTTI HAS FINALLY AGREED TO MEET WITH LABOR CONFEDERATION
LEADERS ON DECEMBER 4. SOME NEW BUT ANTICIPATED ADMINISTERED
PRICE INCREASES APPROVED BY INTERMINISTERIAL PRICE COMMITTEE
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NOVEMBER 30. OCTOBER DEPENDENT LABOR WAGE INCREASES REFLECT

1976 CONTRACT SETTLEMENTS WHILE HOURS LOST DUE TO STRIKE ACTIVITY FOR SAME PERIOD DOWN BY 2 PERCENT. FOUR-HOUR GENERAL STRIKE YESTERDAY ESTIMATED TO HAVE COST INDUSTRY IN FOREGONE PRODUCTION 500 BILLION LIRE AND 200 BILLION LIRE IN FOREGONE EXPORTS. REDUCTION IN PRIOR DEPOSIT REQUIREMENT FROM 45 TO 40 PERCENT BEGINNING TODAY (VICE NOVEMBER 30) HAS RELEASED APPROXIMATELY 100 BILLION LIRE. LIRA RATE STABLE. END SUMMARY.

2. ANDREOTTI'S US TRIP. PRESS REPORTS TODAY CITE EXCERPTS FROM NEXT ISSUE OF PANORAMA INTERVIEW WITH PRIMIN ANDREOTTI ON HIS UPCOMING OFFICIAL VISIT TO US DECEMBER 6-7. AMONG OTHER COMMENTS ON NATURE OF GOVERNMENT AND VIABILITY OF GOVERNMENT AUSTERITY PROGRAMS (SEPTEL DEC 1) ANDREOTTI ALLEGEDLY STATED THAT HE HOPED TO GET A GUARANTEE OF ADEQUATE MONETARY SUPPORT IF ITALY SHOULD FIND ITSELF CONFRONTED WITH A SPECULATIVE MANEUVER AGAINST THE LIRA LIKE THAT AT THE END OF SEPTEMBER. HE ALSO STATED THAT THE CREDIBILITY OF ITALY'S EFFORTS TO RECTIFY ITS ECONOMIC PROBLEMS WOULD BE IMPROVED WERE THERE TO BE AN AGREEMENT ON THE REDUCTION OF THE COSTS OF PRODUCTION PRIOR TO HIS DEPARTURE. THERE IS NO REASON TO ASSUME THAT HE IS NOT DEAD SERIOUS ON BOTH COUNTS.

3. ANDREOTTI WILL MEET WITH LABOR LEADERS DECEMBER 4. UNION CONFEDERATION LEADER LAMA ANNOUNCED THAT PRIMIN ANDREOTTI HAS AGREED TO MEET WITH SECRETARIES GENERAL OF LABOR CONFEDERATION ON SATURDAY, DECEMBER 4. IT IS WIDELY ASSUMED THAT AGENDA WILL INCLUDE (A) DISCUSSION OF GENERAL SITUATION WITH PARTICULAR REFERENCE TO ECONOMIC SITUATION AND GOVERNMENT'S FISCAL POLICY; (B) REQUEST BY LABOR LEADERS FOR ELUCIDATION OF ALL REVENUE MEASURES GOVERNMENTS INTENDS TO TAKE, IN ORDER TO GAIN WHAT ENDS, WITH WHAT PRIORITIES; (C) EXPRESSION BY LABOR LEADERS OF OPPOSITION TO INCREASE IN VALUE-ADDED TAX BUT OF WILLINGNESS TO ACCEPT GENERAL INCREASE IN INCOME TAXES (ALBEIT ABOVE CERTAIN INCOME CEILINGS); AND (D) AN ELUCIDATION OF GOVERNMENT'S POSITION ON BLOCKING OF PUBLIC EMPLOYEE CONTRACT SALARY INCREASES. SINCE LABOR AND INDUSTRY WILL HAVE THEIR THIRD MEETING ON REDUCING COSTS OF PRODUCTION ON THURSDAY, DECEMBER 2, AT WHICH SPECIFIC TECHNICAL ISSUES ARE EXPECTED TO BE DISCUSSED, IT IS HOPED THAT LABOR LEADERS WILL ALSO BE LIMITED OFFICIAL USE

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ABLE TO PROVIDE PRIMIN ANDREOTTI WITH SOME HARD NEWS ON REDUCTION OF LABOR COSTS AT TIME OF MEETING AND JUST PRIOR TO PRIMIN'S DEPARTURE FOR THE US.

4. METHANE AND CEMENT PRICE INCREASES FINALLY APPROVED. INTERMINISTERIAL COMMITTEE ON PRICES FINALLY APPROVED INCREASES ON CONTROLLED PRICES OF METHANE FOR HOUSEHOLD USE AND CEMENT. THESE PROPOSED INCREASES HAVE BEEN CONSISTENTLY PART OF

GOVERNMENT'S AUSTERITY PACKAGE.

5. REAL WAGE INCREASE THRU OCTOBER REFLECTS CONTRACT SETTLEMENTS. WAGE INDEX FOR OCTOBER SHOWS REAL INCREASES OF 12.1 PERCENT COMPARED TO OCTOBER 1975 FOR AGRICULTURE LABORERS REFLECTING LONG-PENDING SETTLEMENT FINALLY ARRIVED AT THROUGH INTERVENTION OF MINLAB ANSELMi SHORTLY AFTER HER ASSUMPTION OF OFFICE IN AUGUST. REAL INDUSTRIAL WAGE INCREASES OF 5.7 PERCENT REFLECT NEW CONTRACTS NEGOTIATED FIRST PART OF 1976 AT EXPIRATION OF PREVIOUS THREE-YEAR CONTRACTS, AND THEIR PROPENSITY TO "FRONT-LOAD" SETTLEMENTS. IN OTHER SECTORS, LABORERS IN TRANSPORTATION INDUSTRY REAL WAGES INCREASED BY 2.4 PERCENT WHILE CLERICAL WAGES DECREASED BY 5.3 PERCENT. HOURS LOST THROUGH STRIKE ACTIVITY THROUGH FIRST TEN MONTHS OF 1976 DECREASED BY 3,249 THOUSAND HOURS, OR TWO PERCENT COMPARED TO 1975. ON OTHER HAND, ESTIMATED COSTS OF FOUR-HOUR GENERAL STRIKE OF INDUSTRIAL WORKERS NOVEMBER 30 IS 500 BILLION LIRE IN FOREGONE PRODUCTION AND 200 BILLION LIRE IN FOREGONE EXPORTS.

6. PRIOR DEPOSIT ON FOREIGN EXCHANGE PURCHASES REDUCED TO 40 PERCENT. GOVERNMENT'S PHASE-DOWN OF PRIOR DEPOSIT REQUIREMENT FOR MOST PURCHASES OF FOREIGN EXCHANGE ENTERED SECOND STEP AS OF DECEMBER 1 (NOT NOVEMBER 39 DECREASING FROM 45 TO 40 PERCENT. THE AMOUNT OF LIQUIDITY RELEASED BY THIS PHASE-DOWN IS ESTIMATED AT 100 BILLION LIRE.

7. MONEY MARKETS. THE USUAL ROUTINE IN THE FOREIGN EXCHANGE MARKET. LIRA CONTINUES TO JSPROACH LAST FRIDAY'S LEVEL AFTER SLIGHT SLIP ON MONDAY. DECEMBER 1 LIRA/DOLLAR RATE 865.45 AGAINST 865.50 ON PRECEDING DAY. VOLPE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOSEC, ECONOMIC CONDITIONS, LABOR RELATIONS, PRICES, HEAD OF GOVERNMENT VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 DEC 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: vogelfj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE293078
Document Source: CORE
Document Unique ID: 00
Drafter: RASORENSEN:PB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760445-1076
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761281/aaaacsqt.tel
Line Count: 154
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY
Reference: 76 ROME 19538
Review Action: RELEASED, APPROVED
Review Authority: vogelfj
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by BoyleJA>; APPROVED <08 SEP 2004 by vogelfj>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC SITREP NO. 22, WEDNESDAY, DECEMBER 1
TAGS: EFIN, ELAB, OVIP, IT, US, (ANDREOTTI, GIULIO)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006